

## Message Text

CONFIDENTIAL

PAGE 01 CAIRO 03479 171343Z

53

ACTION NEA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 EUR-12 PA-01

PRS-01 CPR-01 SY-05 NEAE-00 /109 W

----- 047007

P 171240Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 1029

C O N F I D E N T I A L CAIRO 3479

EO 11652: GDS

TAGS: ECON BEXP EG US ENRG

SUBJECT: FUTURE EGYPTIAN CRUDE OIL SALES

REF: (A) CAIRO 3075, (B) STATE 055765

1. DURING MEETING WITH AMBASSADOR MARCH 16, MINISTER OF PETROLEUM AHMAD HILAL BROACHED SUBJECT US ASSISTANCE IN MARKETING SOME PORTION GOE-OWNED CRUDE OIL OVER NEXT FEW YEARS IN UNITED STATES. HILAL EXPLAINED HE IS STILL IN PLANNING STAGES OF MARKETING PROGRAM FOR INCREASED CRUDE WHICH HE WILL GET FROM NEW DISCOVERIES NOW TAKING PLACE IN EGYPT. MINISTER CONSERVATIVELY ESTIMATES PRODUCTION IN 1980 WILL REACH ONE MILLION BARRELS PER DAY. GOE COULD RELY ON MAJOR PRODUCERS TO MARKET ALL CRUDE, BUT AHIAL WOULD PREFER TO DIVERSIFY MARKETS IF ONLY BECAUSE HE NEEDS INDEPENDENT SELLING PRICE ON WHICH TO BASE TAX STRUCTURE, AND HE WOULD LIKE TO GENERATE SOME FREE HARD CURRENCY FOR FUTURE EGPC INVESTMENT. HILAL SAID HE SEEKING AMBASSADOR'S AND USG'S ADVICE REGARDING SALE OF CRUDE IN EASTERN US, TO WHAT HE CALLED INDEPENDENTS, PROBABLY MEANING INDEPENDENT REFINERIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 03479 171343Z

2. HILAL SIAD THAT RECENT MARKET STUDY HAS SHOWN HIM THAT LOGICAL MARKET FOR EGYPTIAN CRUDE IS EUROPE AND U.S. ALTHOUGH MOST OF THE OIL IS PRODUCED IN GULF OF SUEZ AND WESTERN DESERT, HE BELIEVES BEST ROUTE WILL BE VIA MEDITERRANEAN TO EUROPEAN AND AMERICAN PORTS. HILAL CITED MAJOR ADVANTAGE FOR THESE MARKETS FROM USE OF EGYPTIAN OIL IS REDUCED TRANSIT TIME/COST. OIL TANKERS COMING FROM MEDITERRANEAN TERMINUS OF SUEZ CANAL WOULD TAKE ONLY 21 DAYS TO REACH EAST COAST WHEREAS SHIPMENT FROM PERSIAN GULF WOULD TAKE 45 DAYS. HILAL THINKING OF ECONOMY OF SHIPPING COSTS PLUS POSSIBILITY USE 80-100 THOUSAND TON TANKERS WHICH CAN BE HANDLED BY U.S. PORTS.

3. AMOUNT FOR WHICH HILAL MENTIONED HE SEEKING MARKETS IS 5 TO 20 MILLION TONS PER YEAR (ABOUT 100,000 TO 400,000 BARRELS PER DAY.) HILAL SAID THAT HE NEEDS OUR ADVICE ABOUT HOW TO BREAK INTO U.S. MARKET AND IS OPEN TO ANY SUGGESTIONS.

4. AMBASSADOR MENTIONED THAT MINISTER'S UPCOMING TRIP TO UNITED STATES (SEE CAIRO 3075) WOULD PROVIDE OPPORTUNITY FOR HIM TO GO TO WASHINGTON AND MEET WITH US ENERGY EXPERTS WHO COULD ADVISE HIM ON USG POLICY REGARDING OIL IMPORTS AND COULD PERHAPS AT SAME TIME HIVE HIM SOME ADVICE ABOUT WHERE HIS OIL MIGHT BE MARKETING IN THE UNITED STATES. HILAL SAID HE IS READY TO EXTEND VISIT TO INCLUDE VISIT TO WASHINGTON MARCH 26,27,28, AND 29. HE WILL BE AVAILABLE FOR CONSULTATIONS ON MONDAY, MARCH 29.

5. COMMENT. WOULD APPRECIATE DEPARTMENT'S REACTION TO HILAL'S APPROACH BOTH BEFORE AND AFTER HIS MEETINGS IN WASHINGTON. IF THERE IS SOMETHING WHICH WE CAN DO OR SOME ADVICE WE CAN PASS ON TO EGYPTIANS, GIVEN PRESIDENT SADAT'S PERSONAL INTEREST IN OIL SECTOR AND URGENT NEED OF EGYPTIAN ECONOMY FOR OIL DEVELOPMENT, SUCH ACTION ON OUR PART WOULD HAVE GOOD POLITICAL IMPACT HERE.

6. ACTION REQUESTED. DEPARTMENT, TOGETHER WITH APPROPRIATE USG AGENCIES ARE REQUESTED TO PREPARE BRIEFING FOR HILAL  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 03479 171343Z

ON U.S. MARKET FOR CRUDE OIL OVER NEXT TEN YEARS, AND OFFER HIM ANY PRELIMINARY ADVICE ON WHICH HE COULD BASE FUTURE MARKETING PLANS. IN PREPARING PROGRAM, REQUEST DEPARTMENT ADVISE AMBASSADOR GHORBAL WITH WHOM HILAL WILL BE STAYING.  
EILTS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, MINISTERIAL VISITS, DEVELOPMENT PROGRAMS, DIPLOMATIC DISCUSSIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 17 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** RowellE0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976CAIRO03479  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760100-0927  
**From:** CAIRO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760353/aaaabuhm.tel  
**Line Count:** 113  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION NEA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 CAIRO 3075, 76 STATE 55765  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** RowellE0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 JUN 2004 by BoyleJA>; APPROVED <20 OCT 2004 by RowellE0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FUTURE EGYPTIAN CRUDE OIL SALES  
**TAGS:** ECON, BEXP, ENRG, US, EG, (HILAL, AHMAD 'IZZ AL-DIN HASAN)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006